THE WORKERS COMPENSATION BOARD OF MANITOBA

COMPREHENSIVE PLAN
August, 1989

WCB

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The Workers Compensation
Board of Manitoba

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Graham F.J. Lane
Chief Executive Officer

August 17, 1989

We are pleased to provide the first **Comprehensive Planning Document** produced by the Workers Compensation Board of Manitoba.

The compensation system in Manitoba is undergoing a significant evolution to a modern organization and, therefore, this document does not represent a fully established or settled outlook on all policies, procedures, and financial issues facing the Board. Rather, it provides an exhaustive list of those issues which the Board will be addressing in the future, indicates specific actions being taken in 1989 in key tactical areas, offers several possible financial scenarios, and identifies the general direction of the board as mandated by the majority of the Board of Commissioners.

The administration intends to bring forward recommendations on policy and legislation in the next few months. It will also develop a clear strategy for addressing the unfunded liabilities, which will include a thorough evaluation of required assessment rates. Although the administration would prefer not to increase assessment rates in the near term, such a commitment cannot be made at this time.

The document also provides a section entitled "Innovative Options" which shows the variety of options available to a Compensation system in fulfilling and expanding its responsibilities to society. Of course, these options are referenced for future review only; implementation would involve full and extensive consultation and public discussion.

The preparation and publication of the 1989 plan occurs at a time when the Workers Compensation Board has underway a large number of organizational and administrative reforms. These reforms, many of which are outlined in the following pages, are directed at improving and accelerating our services to injured workers and employers.

The concerns and opinions of interested parties were sought during the preparation of this document and are, to a large extent, incorporated herein.

Your comments on this plan are welcome and valued; please communicate any comments to myself, the Board of Commissioners or management personnel. Your ideas will assist us in subsequent review and update of our plan.

Yours truly,

Graham F. Lane

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PREFACE

August 17, 1989

Most organizations are constantly evolving, changing, growing — and the Workers Compensation Board is no exception.

The recent announcement by the government regarding its intent to move towards a board of directors philosophy offers a further opportunity for renewal and invigoration.

The expanded Board of Commissioners will review the initiatives identified in this document and may, according to its responsibilities and the needs of those served by the WCB, revise the priorities or directions stated. This document reflects the discussions of and with the Board of Commissioners as constituted and with the appointees in place prior to August 11, 1989.

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INTRODUCTION

The Comprehensive Plan of August 1989 is the first issued by the Workers Compensation Board of Manitoba. It is a public document for the WCB's constituencies (employers and workers) and other interested parties. The material is frank and extensive. It is intended to provide a complete and true picture, blemishes and all, of the WCB's situation and proposed (and/or potential) remedies.

PLANNING OPTIONS AND STRATEGIES

(I) Introduction and Overview

This section provides a brief financial history of the Board, current financial statements, various options, selected strategies and anticipated financial results. The financial history includes the general employers' pool (Class "E") only. Self-assurers have been excluded since they were dealt with on a pay-as-you-go basis.

An important element of the Board's financial situation is the accumulated deficit. At the end of 1988, it amounted to $232 million. Althought a long-term funding deficiency exists, the Accident Fund has sufficient resources available to provide benefits to claimants in the short and medium term future.

(II) Financial History and Commentary

From 1982 to 1988, average rates increased from $.82 per $100 of payroll to $2.37 per $100; the estimated average rate for 1989 is $2.26. A brief history of average assessment rates is illustrated in Graph 1-i. Over the same period, the Board experienced a deterioration in its overall financial situation: in 1982, the Board had a stated surplus of $23 million; by the end of 1988, the unfunded liability of $232 million existed. Nonetheless, during that same period the Board's cash flow has improved. For instance, in 1982 the Board collected $35.7 million in assessments and spent $46.7 million— resulting in a cash flow deficiency of $11 million. In 1988, the Board collected $128.5 million while paying $112.8 million — generating a cash flow surplus of $15.7 million.

(III) Current Financial Operations and Position

The 1988 financial results were as follows: ($ millions)

	General Employers' Pool ("E")	Other Classes (Self-Assurers)	Total
Revenues	$139.9	$10.9	$150.8
Operating Costs	93.6	10.4	104.0
	46.3	.5	46.8
Provision for future costs	54.5	3.5	58.0
Annual Deficit - 1988	$(8.2)	$(3.0)	$(11.2)

The 1988 financial statements reflect a number of significant changes in financial strategies and policies implemented recently by the Board:

- the discount rate used in capitalizing future pension obligations was reduced to 3% from 6%;

- the provision for future costs of existing claims was increased to reflect the discount rate and to reflect the future costs of claims incurred but not reported; and
- the provision for future costs attributable to the Second Injuries Fund was similarly increased to reflect the 3% discount factor and to reflect claims incurred but not yet reported.

These changes have the net effect of restating the accumulated deficiency in the Accident Fund from the originally-reported $96 million to $227 million at the end of 1987 and $232 million at the end of 1988. Such changes, however, establish accounting policies and financial strategies more in tune with the current environment in the insurance industry.

(iv) Financial Options

For the purposes of the current Comprehensive Plan, a recently constructed computer model has been used to project future revenue and expenditure scenarios. Forecasts, by nature, are not precise predictions. Instead they indicate directions and trends based upon a current evaluation of known and existing conditions, or assumptions about what can reasonably be expected to occur. Some assumptions were established and maintained for all scenarios. Other assumptions were varied to give some sense of the optimistic to pessimistic views about the Board's financial situation over the next twenty years.

- Fixed or base assumptions
  - inflation is 4% annually;
  - investment return is 3% real;
  - inflation equally affects growth in assessable payroll, growth in costs, and the cost of future pensions;
  - the rate of growth in costs will decline from the very high recent levels as the expansions of rehabilitation and other benefits are absorbed;
  - the combination of an aging labour force and expansion of knowledge about industrial diseases may well mean that costs will rise faster than inflation;
  - actuarial reserve requirements will be stable; and
  - assessment rates are assumed to be unchanged, except under one indicated scenario.
- Variable assumptions
  - these are divided into optimistic, mildly optimistic, mildly pessimistic and pessimistic. The differences between these sets of assumptions is based on the long term relationship between the rate of growth in assessable payroll and the rate of growth in costs;
  - for all scenarios, assessable payroll grows at roughly the rate of growth of the economy. Costs, however, are influenced not only by economic growth but also by the age of the employees, adjudication policy, knowledge of the relationship between industrial processes and diseases, etc.;
  - for the pessimistic scenario, the rate of growth in costs is assumed to decline from its present rate until it reaches a level about 2% higher than the rate of growth in assessable payroll;
  - for the mildly pessimistic scenario, the rate of growth in costs is assumed to decline until it reaches a level about 1% higher than the rate of growth in payroll;
  - for the mildly optimistic scenario, the rate of growth in costs is assumed to decline until it reaches a level about 0.5% higher than the rate of growth in payroll;

- for the optimistic scenario, it is assumed that the rate of growth in costs will decline from the present rate until it reaches a rate equal to the rate of growth in assessable payroll.

The general fiscal impact of these apparently small variations in assumptions is displayed in Graphs 1-ii to 1-v.

- Policy and/or Legislative Options

  There are a number of optional but not necessarily advisable policy changes which could be used to alter the revenue and expenditure patterns for the WCB over the next twenty years. These include but are not necessarily limited to the following:

  - increase the maximum insurable earnings to twice the average weekly earnings and simultaneously change to compensating for wage loss at a rate of 90% of previous net income. The net savings from these two changes would be $4.8 million per year.
  - change the benefits for fatality victims to lump sums from pension entitlements. The net savings are estimated at $1.9 million annually;
  - implement an impairment and wage loss system rather than pensions. This could result in net savings of $1.3 million annually;
  - improve the real rate of return on the investment portfolio from 3% to 4%. The net savings have been estimated at $1 million annually;
  - allow existing pensioners greater freedom to take their pensions in the form of lump sums. The initial net savings have been estimated at $1 million annually, for up to 10 years,
  - amend the pre-existing conditions policy to provide benefits only for the estimated proportion of the compensable condition not attributable to pre-existing conditions. Net savings have been estimated at $2 million annually;
  - amend the definition of income to take into account average earnings and seasonal income fluctuations, concurrent earnings, overtime and bonus earnings and other income sources including CPP and UIC. The initial annual net savings have been estimated at $1.5 million;
  - amend the existing policy related to the awarding of Special Additional Compensation (a form of long term wage supplementation). The net savings have been estimated at $2.7 million annually;
  - amend the discount rate used in calculating lump sum payments to reflect current interest rates earned in the financial markets. This would result in net savings of $.5 million;
  - amend the historical biennial indexing of pensions from a rate representing 100% of the CPI to one which represents approximately 2/3 of CPI. This change has been estimated to yield an initial annual saving of $3.5 million;
  - amend the legislated waiting period for time loss claims from one to three days. This change would result in estimated annual savings of $3 million;
  - increase average annual assessment rates by 20% for the next three years. This policy would initially result in estimated additional revenues of $24 million, compounding by a like amount for each of the following two years;
  - eliminate the portion of the accumulated deficit attributable to the public sector employers by securing payment and/or guarantees from the Province of Manitoba. This would reduce the accumulated deficit by an amount ranging from $32 to $50 million. (None of the following graphs reflect this option).

If the Board were to implement all of the above policy changes, except those affecting assessment rates, then the projected net worth of the WCB would be as illustrated on Graph 1-vi using, as a base, the mildly optimistic assumptions.

If the Board were only to adopt the assessment rate increases, then the projected net worth of the Board would be as illustrated in Graph 1-vii.

If the Board adopted all the proposed options, then the projected net worth of the Board might develop as illustrated in Graph 1-viii. From this graph, one can see that, were the Board to adopt all the identified options, then the current unfunded liability would be fully funded by 1992. Naturally, as is the case of the other graphs, the extraordinary growth in apparent surpluses thereafter would not be realized in practice.

(v) Financial Strategies

From the wide range of options identified, the Board of Commissioners has selected its preferred positions in the areas of legislative and policy strategies and administrative emphasis. The resultant forecasted impact on unfunded liabilities and assessment rates is illustrated in Graphs 1-ix and 1-x.

The administration of the Board is considering potential recommendations for legislative amendments in light of national trends in workers conpensation reform in recent years and the information assembled by the Implementation Team for Workers Compensation Reform.

The areas under consideration include:

— benefits based on net rather than gross income

— lump sum payments rather than pensions for fatalities

— benefits based on impairment and/or wage loss as applicable

The final form of any of these changes may have a significant impact on the workers conpensation program in Manitoba.

The Board of Commissioners support the following overall strategies:

a) Legislation
The Board will recommend legislative amendments to return full control of investments to the Board, in order to improve real returns on investments from historical levels.

b) Policy
The Board will not undertake major policy amendments for the purpose of reducing either assessment or the unfunded liabilities. Policies are being reviewed on an on-going basis, but no program cost reductions can be forecast at this time. The Board is not unanimous in its position on this matter.

c) Administration
The present administration of the program results in some inappropriate benefit expenditures, attributable to less than fully effective rehabilitation measures, among other reasons, which contribute to claims of excess duration. The Board of Commissioners has directed the administration to focus more of its resources on the rehabilitative process, in particular early intervention on those cases where a return to work can be accelerated. Longer-term claimants will also be provided with rehabilitation programs intended to return them to employability within specified time periods.

d) Assessment Rates
Assessment rates for Class "E" private sector employers may not need to be increased from the 1989 average level through 1992. Once again, the Board is not unanimous in its position on this matter.

e) Unfunded Liabilities
The unfunded liabilities attributed to the private sector employers are not expected to increase in aggregate before December 31, 1992. The Board plans

to review the unfunded liabilities of Class "E" at December 31, 1992, to determine whether assessment rates should be raised and whether other program changes appear to be required.

The Board believes that improved administrative practices will reduce program costs sufficiently to offset expected additional costs resulting from inflation and increased recognition of occupational disease and other work-related effects. This is also not the unanimous position of all Board members or the administration.

It should be noted that one of the Board members, Commissioner Elaine Smith differs from the majority position as follows:

(a) Legislative amendments should be recommended to introduce program changes to reduce the costs of benefits.

(b) Policy changes should be effected by the Board to reduce the benefit costs of the program.

(c) The benefit cost savings generated by policy and legislative changes should be applied to reduce the unfunded liabilities of Class "E" employers and reduce the average assessment rates levied against those employers.

Commissioner Smith believes that while improved administrative practices are a requirement and will produce some program cost reductions, those reductions will be inadequate to offset anticipated future program cost increases and also permit a reduction in assessment rates and elimination of the unfunded liabilities within a reasonable time.

All Commissioners believe that injured workers and registered employers would be fairly and effectively served by their proposals. The cost estimates associated with the majority Board position, as prepared by Board Administration, indicate that unfunded liabilities will not be eliminated and assessment rates will need to be increased after 1992. Some decrease in unfunded liabilities may occur between 1989 and 1992 as a result of payment of some of the unfunded liabilities of certain public sector employers by the Province of Manitoba, the short-term effect of favourable real interest rates, and reduced future cost provisions as program effectiveness improves.

PLANNING PROCESS

A modern organization which fails to plan is placing its well-being at risk. Businesses must prepare business plans frequently for presentation to their banks as well as their shareholders; labour organizations must prepare plans for addressing the needs of their members, such as emerge during collective bargaining. Government, as well, operates on an annual planning and budgeting cycle leading to the speech from the throne and the presentation of the budget.

The need to plan is particularly true of the Workers Compensation Board of Manitoba which, by definition, must serve and inform two constituencies, "employers and injured workers", and which is ultimately responsible to society in general. In recognition of these principles, the WCB has instituted a planning process which results in the preparation of this multi-year comprehensive plan. This plan, up-dated from year to year, is to serve as a directional guide, providing a focus for discussion and decision.

The annual planning cycle being adopted by the board is derived from a generic model as outlined on Graph 1-xi; it illustrates the relationships between the board's environment and stakeholder communities, on the one hand, and steps in the internal planning and budgeting cycle, on the other hand. (Naturally, because the planning cycle was only adopted in late 1988, the process used in preparing the present plan in 1989 does not conform to the chart exactly.)

The three fundamental elements of the planning process are:

- preparation of the strategic plan
- preparation of tactical plans
- establishment of organizational priorities

MISSION STATEMENT

- To ensure the provision of prompt & effective financial, medical and rehabilitative services to Manitoba workers who are victims of occupational injuries and disease in insured industries.
- To provide a no-fault, collective insurance service for Manitoba employers and workers at reasonable rates.
- To deliver these services in a courteous, impartial, effective and fiscally-responsible manner which encourages openness, communication and involvement of all stakeholders in conformity with the principles of natural justice.
- To facilitate and fund workplace accident and illness prevention programs.

CRITICAL SUCCESS FACTORS

The WCB will be successful when it is able to:

- achieve stakeholder understanding and acceptance;
- implement reasonable benefit levels with security of payment;
- implement equitable classification and assessment rates;
- improve management;
- raise the acceptability of the WCB's financial position and operations; and
- raise the level of understanding by the Medical Community.

HIGHLIGHTS OF 1988

(I) Operations were revamped in many areas:

- a policy and procedure unit was established,
- a staff development/training unit was established,
- adjudication and rehabilitation staff shortage began to be addressed,
- a management information system was under development, and
- physical facilities were being modernized.

(II) The financial statements were restated to incorporate a number of changes:

- the discount rate for pension capitalizations was changed from 6% to 3%,
- a disaster reserve was created and a number of funds were amalgamated into the Second Injury Fund and the Future Cost of Existing Claims Fund,
- the full liability of the "self-assurers" was recognized,
- a provision for accidents that were incurred but not reported was set up, and
- an administrative component was allowed for in the future costs of existing claims.

(iii) The assessment system was reformed:

- a sound, actuarially-certifiable system was put in place for the 1989 year,
- the independent contractor issue was addressed, and
- processes by which clearances were issued were tightened.

(iv) A more open manner of doing business was adopted, including;

- prior consultations with stakeholders wherever possible,
- increased public contact and visibility,
- expansion of the liaison with the Workplace, Safety and Health division of the provincial department of Labour, and
- expanded co-operation with outside agencies, particularly regarding workplace safety.

ENVIRONMENTAL REVIEW

(i) The social context

Workers Compensation Boards are established by and report to the respective legislatures. They are expected to provide a program which is acceptable to, and supported by, both workers and employers who are represented on the Board of Commissioners. The WCB must also operate in a context in which other agencies, professionals and persons have significant interests. These include the medical and rehabilitation professions, safety associations, the Workplace Safety and Health Division, worker advisors, disabled workers' associations and others. These relationships are portrayed in Graph 1-xii.

(ii) The economic environment in the near term

- Business Cycle

  The business cycle has two primary effects on the WCB's methods of paying compensation. Generally, when the cycle is expanding, there is an increase in the number of claims reported. When the cycle is contracting, the duration on claim is likely to increase.

- Growth Rate

  Based on averages derived from forecasts by several national forecasting agencies, real growth in Manitoba is expected to equal 3.1% in 1989 and 2.1% in 1990. If this prediction is accurate, then the number of claims should continue to show the stability which has emerged in the past two years.

- Labour Force

  The national forecasts also predict slow increases in employment in Manitoba, with an average labour force growth of 1.6% in 1989 and 1.9% in 1990. Much of this is likely to be in areas, such as service industries, not covered by compensation. This reinforces our prediction of continued moderation in the rate of growth for new claims.

- Interest Rates

  Interest rates are expected to fall as the economy slows. This decline will mean that new money invested in the next few years is unlikely to earn the rate of return presently achieved.

- Cyclical Relationship between Construction and Service Industries

When service employment is rising faster than construction employment, average accident and assessment rates will tend to fall. This is likely to be the situation in Manitoba in the next several years.

(III) Financial cost and expenditure trends

- General Situation

  Since 1982, average assessment rates have climbed from 82¢ per $100 of payroll to $2.37 per $100 of payroll. During the same period, the Board's financial situation deteriorated from a $23 million surplus to a $232 million deficit. Some of the contributory factors to the situation were inflation and inflation increases, the expansion of rehabilitation, modified administrative and medical reporting procedures and changes in actuarial assumptions about the reserving practices at the WCB.

- Inflation and Inflation Increases

  In Manitoba, pensions and other periodic payments are inflated to the full change in the consumer price index every two years. Historically, the means of meeting this additional liability was to create seven-year sinking funds.

  Recognizing the danger of not properly accounting for the WCB's future liabilities, the WCB recently changed its accounting practices by lowering its discount rate from 6% to 3%. All future increases for inflation are therefore included automatically in the WCB's liability structure.

- The Expansion of Rehabilitation

  The expansion of rehabilitation services was triggered by the reports of Dr. Lampe in 1980 and the Rehab 100 Committee in 1984. Rehabilitation costs now include two distinct elements: first, the rehabilitation services themselves such as counselling, special equipment, tuition, and so forth; second, the income replacement benefits to the worker while the claim is being administered by a rehabilitation officer. Since 1983, annual rehabilitation expenditures have grown from $4.9 million to $13.0 million.

- Claims Duration

  Claims duration has been increasing throughout the 1980's. This trend will be examined through a claims and cost study which is underway in 1989.

- Administrative Procedures

  In the first part of the 1980's the WCB faced significant increases in claims reported, which rose from 45,000 to about 54,000 annually. It is possible that this increase created a claims backlog which contributed to increased time on claim.

- Medical Reports

  Medical reporting procedures experienced two significant events in the 1980's. First was the change in legislation in 1982 which required that medical reports be available to the worker. Second was the board's decision not to accept unsolicited medical reports. Both of these decisions could have led to delays in receiving medical information and therefore could have resulted in increases in average days lost per claim.

- Actuarial Changes in Reserve Requirements

  The Board has recognized, in 1988, the indivisibility of the Accident Fund and has provided for all liabilities including future inflation increases, incurred but not reported claims, and future liabilities associated with certain self-assurers.

(iv) Long term trends in the economy

There are a number of long term trends in the economy which will likely have a significant impact on the Workers Compensation Board:

- The Expansion of Service Industries

  Society becomes safer as industry moves towards a structure dominated by safer service industries which require lower assessment rates to support the benefits structures. Therefore, as service industries expand, the average assessment rate will tend to fall. In Manitoba, however, the majority of employers in the service industry are not covered by compensation. Therefore, the general payroll growth will be slower for the WCB than for the province as a whole.

- The Increase of Female Participation

  Approximately 20% of work injuries in the period from 1984 to 1987 occurred among females. This proportion may grow. Moreover, there are some gender - specific occupational risks for which the WCB must be prepared; these particularly include risks associated with pregnancy.

- The Ageing of the Work Force

  As baby boomers age, there are a number of changes which this population "bulge" may bring to workers compensation:

  * there may be an increase in debilitating injuries as opposed to traumatic injuries;
  * rehabilitation may have to be based on the recognition that the injured will generally deteriorate; and
  * older workers will have a lower likelihood for effective rehabilitation as the healing time may be greater and structural impediments to return to work may be present.

- Changes in Workplace Hazards

  New workplaces mean new hazards; they also mean the elimination of older ones. The introduction of new chemicals and new processes into the workplace, which accelerates as society becomes more technologically-based, requires the WCB to maintain and update its understanding of these changes. Examples of such issues include the relationship between VDT's and carpal tunnel syndrome, as well as, most importantly, the development in our understanding of industrial diseases.

(v) Manitoba in a National Context

Comparison of Manitoba's compensation system with others across the nation shows a system that is generally similar to that of other provinces with a few significant exceptions.

- Definition of Income

  Approximately half the provinces provide income replacement on the basis of 75% of gross income, while the remainder have recently switched to the system based on 90% of assumed net income.

  The system based on assumed net income is often considered preferable because it provides for payments which are closely related to an individual's take home pay. It avoids situations where a worker is actually receiving more in Worker's Compensation Benefits than he would in his pay packet.

- Benefits for Dependants of Fatalities

  In Manitoba, benefits to dependants of fatality victims are based on the lifetime pension the fatality victim would have received if the victim was 100% disabled. Other provinces either limit the time period or provide lower benefits.

In Manitoba, upon re-marriage the dependant's spouse loses entitlement; some other provinces have eliminated such termination clauses.

- Approach to Wage-Loss Benefits

  Approximately half the provinces have established or introduced provisions which provide for a dual award system in which payments for impairment (that is, actual physical loss or disfigurement) and payments for wage loss are calculated separately. Manitoba, on an ad-hoc basis through the Special Additional Compensation structure, has developed a supplementation approach where it provides pensions based on wage loss to as many people as would likely receive them in a pure wage loss structure. However, unlike provinces which have considered this matter at length, Manitoba has no provision to restrict the payment for impairment where there is no wage loss.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

(i) Strengths internal to the WCB

- A dedicated experienced staff,
- Good management and labour relations with local 1063 of CUPE,
- A Board which recognizes the need to separate policy making from appeal functions, and
- A strong and experienced Chief Executive Officer

(ii) Weaknesses internal to the WCB

- Underdeveloped policies and procedures,
- A staff under the pall of bad publicity,
- Relationships with business, labour and government which allow for inappropriate influences,
- A history of insensitivity to stakeholders,
- Limited ability to lower risks and hazards, and
- Unresolved stewardship issues related to full funding

(iii) Opportunities external to the WCB

- Government recognition that better management is the key to improvement,
- Patience by labour, employer and government to await improvements,
- Opportunities for technological innovations,
- Opportunities to expand coverage at reasonable rates to uncovered industries, and
- Opportunities to co-ordinate compensation with other forms of disability and income protection.

(iv) Threats external to the WCB

- Pressure by government, business and labour to change the system too quickly,
- Pace of change may limit acceptability to the stakeholders,
- Free trade may bring pressure on the WCB, and
- Benefits may be taxed federally.

PLAN FOR LEGISLATIVE REFORM

A number of the problems at the WCB, can be resolved by reform of the Workers Compensation Act itself. In consequence, the Act has been the subject of intense and widespread scrutiny and public consultation over the past four years.

A Legislative Review Committee, the Employer's Task Force, compensation committees among labour groups, and government study groups have identified many weaknesses in the Act and have proposed remedies. The WCB is now reviewing these proposals while drawing on its own experience and the counsel of its professional advisors.

The Government of Manitoba has made clear to the Workers Compensation Board that it is committed to legislative reform that ensures effective and economical programs. The Board expects to be in a position to advise the Government of some major legislative options by the fall of 1989 and to propose a process that will allow for continuing legislative renewal:

- For October 1989.

  The WCB will address several substantive legislative amendments which could modernize the benefit structure through such means (for illustration only) as basing benefits on 90% of net income, creating an impairment and wage loss system (instead of pensions); automatic indexation; refiguring the maximum earnings, etc.

  New governance and appeal structures will be proposed which could ratify the distinction between policy making and adjudication.

  A legislative basis will be provided for recognition that public sector agencies, if backed by government guarantees, can be separated from Class "E" employers for purposes of accounting and assessments. A number of other technical improvements will also be made to the legislation.

- For subsequent years

  In subsequent years a number of other significant issues will be dealt with along with various housekeeping items as these are identified from time to time. Significant future issues (which in the meantime can be addressed partially at a policy or administrative level) include pre-existing conditions, occupational disease, rehabilitation and re-employment, the application process, the role of advisory committees and the role of the medical review panels.

  During the process of revising the legislation, the WCB will maintain active consultations with the stakeholder community. However, the government may accept or reject any WCB proposals and may wish to conduct further public hearings. It may also use the amending mechanisms at the Legislature — for example, the Law Amendment Committee — to entertain further public input.

STRATEGIC AREAS

Strategic initiatives of the Board for 1989 are grouped into 8 areas.

(1) *Service Delivery*

Service levels at the WCB have deteriorated during the past few years and backlogs have blossomed. This state is being rectified by following many strategies — training, re-organization, expansion to staff/facilities, better use of technology, improved prevention and so on.

Existing Realities

- the manner and efficiency of service delivery is significant and visible
- resources are not in place or at a sufficient level to provide quality delivery and service
- case management process requires renewal
- services lack clarity
- the role of the WCB in accident prevention is not understood
- management remains reactive

Willed Future

- quality service delivery will be provided through proper, timely, flexible resources and clear policies
- the WCB will use referral capabilities
- co-ordinated benefit programs will exist with other agencies
- the WCB will be active in injury prevention
- a broadly-based understanding among stakeholders and other professionals will exist of where the WCB can and will deliver services

Initiatives

- Accelerate service decisions and payments ..... Priority 1
- Implement aggressive technical and general staff development and training programs. ..... Priority 1
- Communicate to staff the requirement for commitment and deal with it when it is not met. ..... Priority 1
- Co-ordinate workers compensation services with other organizations. ..... Priority 1
- Fund and facilitate injury and illness prevention. ..... Priority 1
- Develop a policy formulation process involving consultation with constituents. ..... Priority 2
- Evaluate the effectiveness and economy of our programs. . Priority 3
- Establish information systems to profile constituents and develop strategies to address those constituent needs. ..... Priority 3
- Review the relationship to the Worker Advisors Program... Priority 4

(II) Funding

The WCB of Manitoba, like some other Boards in Canada, is facing a number of funding and financial issues.

Existing realities

- all WCB's support full funding but most are not fully funded
- lack of meaningful consultation has meant stakeholder expectations are not well known
- financial impact studies have not been carried out
- stakeholders have little trust future obligations can be met or afforded
- stakeholders do not have realistic expectations of affordability

Willed Future

- accepted, actuarially-sound funding required to provide reasonable assessment rates and benefit levels
- benefit levels/assessment rates etc. are influenced by practices elsewhere
- the unfunded liability may exist for a time

Initiatives/Programs

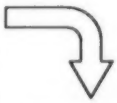
- Revamp Fund structures and establish new Funds. ..... Priority 1
- Develop an actuarially sound definition of funding. ..... Priority 2
- Develop a long-range funding plan geared to reflect economic circumstances of Manitoba in relation to other jurisdictions. Priority 2
- Develop an education and information program for stakeholders (industry, labour), and government to explain recommended funding principles and the long-range plan. ..... Priority 3

(iii) Rate Setting

In the past, assessment rates were not struck in an actuarially-sound manner. Strategies to remedy the deficiencies include a new rating system, legislative review, and policy amendments.

Existing Realities

- government has intervened in prior years to mitigate assessment rate increases due to concerns over the effects on the economy
- average assessment rates were reduced slightly for 1989 and the process was made more sensitive to experience
- the employer classification system does not fully consider risk and hazard
- the employer classification and rate setting system is not understood or supported by all employers



Willed Future

- a fair, equitable and statistically-credible employer classification and rate setting methodology, which is understood and accepted
- the number of employer classifications would be reduced, while recognizing risk and hazard
- cost would be fairly allocated to "self-assurers"

Initiatives/Programs

- Develop an experience-sensitive rating system with significant collective liability components. ..... Priority 1
- Continue the plan to provide for the adjustment of rates to appropriate levels, under a new classification system by 1992 Priority 1
- Develop expert knowledge in classification and rate setting procedures and enlist actuarial support in the development and maintenance of the procedures. ..... Priority 1
- Develop an education and information program for stakeholders and government to explain the employer classification system and rate setting methodology, including full disclosure of the financial position of the Board in respect to each rateable classification. ..... Priority 2

(iv) Benefits

Benefit strategies must address policy weaknesses as well as an absence of policy. Initiatives are to be undertaken to address unfairness and inconsistency in applying policies.

Existing Realities

- the level and duration of benefits are major driving factors of cost: unfortunately, benefit policies are highly complex, inconsistent and occasionally unfair
- benefits are largely determined by Board policies

Willed Future

- a consistent, fair and well-documented set of benefits policies
- legislation and policy will be complementary and consistent
- constituents will understand policies
- benefit levels will reflect revenue sources
- stakeholders agree on specific details of the benefit program

Initiatives/Programs

- Implement a consistent, fair and well-documented benefit package ..... Priority 1
- Institute quality control ..... Priority 1
- Establish mechanisms for the involvement of stakeholders ... Priority 2
- Recommend appropriate funding sources for the accepted benefit structure ..... Priority 3

(v) Rehabilitation

Rehabilitation services have grown in an unplanned fashion and were not consistently applied. Strategic remedies include reconceptualizing the program, re-organizing services, re-training the professional staff and communicating better with employers.

Existing Realities

- vocational rehabilitation, in terms of financial impact and effectiveness, is a significant program, though flawed in delivery
- there are no generally-accepted principles, quality control mechanisms or clear understanding of worker responsibility
- unclear if goal is employment or employability
- staffing problems existed
- the program is not available everywhere

Willed Future

- the goals will be known, acceptable, achievable and consistent with the legislation
- staff will be trained and qualified
- stakeholders and society will actively participate
- clients needs will be addressed
- cost-effective
- co-ordinated with other agencies and services

Initiatives/Programs

- Develop a clear, concise accepted Mission Statement. ..... Priority 1
- Promote program visibility. ..... Priority 1
- Train to suit the Mission and ensure commitments. ..... Priority 2
- Establish monitoring and quality control programs. ..... Priority 2
- Establish networks and contacts with community services. ... Priority 3

(vi) Community Relations

The WCB intends to be a more consultative and responsive organization. Specific initiatives address the needs of the labour and employer communities as well as other interested parties.

Existing Realities

- since the early 1980's, perception of the WCB has deteriorated and several public inquiries have been held producing lengthy lists of shortcomings
- WCB has not satisfied its constituencies and is viewed as poorly managed, wasteful and excessive
- the basic philosophy of Workers Compensation is sound
- the government has responsibility for the Act but its relationship to the WCB has been perceived as distrustful, not collaborative
- in recent months, there has been a reduction in the frequency of public issues, providing an opportunity to affect substantive improvements

Willed Future

- the WCB Mission and methods will be understood and accepted by stakeholders and society
- communication vehicles to and from stakeholders and society will be operational
- claimants and employers will understand and advocate for the system
- the WCB will be removed from the political arena; government will continue its role as arbitrator

Initiatives/Programs

- Establish communication mechanisms which ensure involvement of the stakeholders. ..... Priority 1
- Define and formalize the WCB-government relationship in two streams, administrative and policy-oriented. ..... Priority 1
- Implement communication programs with the medical community. ..... Priority 2
- Implement programs to increase general understanding of the WCB role as well as limitations on that role. ..... Priority 3
- Establish a pro-active relationship with the media, ensuring two-way communication and fostering understanding. ..... Priority 3
- Establish processes for the dissemination of WCB information. ..... Priority 4

(vii) Human Resources

Recent service problems have placed a high level of stress on WCB staff. This is compounded by lack of policy in staffing, training, recruitment, performance management and other matters. Remedies focus on policy development, internal communications and joint job evaluation with the union as well as effective negotiations faithfully pursued with CUPE local 1063.

Existing Realities

- low morale in 1988 produced an atmosphere of skepticism, distrust and negativism
- the Board lacks a formal human resources policy and the skills and procedures to implement one
- the relationship between management and CUPE 1063 is constructive

Willed Future

- a formal human resources policy will exist
- internal communications will be appropriate and constructive
- human resources management will be a recognized management responsibility supported by the HR department
- WCB staff will be knowledgeable, confident, and committed to providing professional and courteous service.

Initiatives/Programs

- Develop effective internal communications among management and staff. ..... Priority 1
- Negotiate collective agreements to meet evolving needs of staff and WCB. ..... Priority 1
- Develop a formal Human Resources policy which is acceptable to and understood by all. ..... Priority 2

(viii) General Management

Some problems at the WCB can be traced to management deficiencies. Addressing these concerns strategically involves adopting a number of modern practices and making use of emerging technologies. These techniques promise to improve services economically.

Existing Realities

- WCB hiring practices have helped isolate agency
- isolation limits links to other agencies
- roles, accountability, responsibility and authorities were not clearly defined
- limited exposure to modern information systems or research processes
- lack of clear sense of mission among the staff
- major restructuring and re-aligning of responsibilities must be justified

Willed Future

- extensive contacts for consultation and networking
- sound management practices will be in place
- effective and appropriate technology and innovation
- open access to information
- be well informed on emerging and future issues
- be a role model for employment of injured workers
- establish an appropriate corporate culture
- WCB will be confident of its capabilities

Initiatives/Priorities

- Implement an aggressive management training program, including information technology awareness ..... Priority 1
- Establish a policy and research capability. ..... Priority 1
- Implement fundamental processes such as planning, budgeting, and performance monitoring. ..... Priority 2
- Actively hire injured workers. ..... Priority 2
- Research the information requirements of constituents and develop means of meeting those requirements. ..... Priority 3
- Develop relevant information bases. ..... Priority 4
- Provide open access to information. ..... Priority 4

TACTICAL PLANS FOR 1989

This section contains a list of all the projects on which the WCB plans to expend resources in 1989.

(I) Service Delivery

- Restore and enhance claims service
- Reorganize benefits division
- Develop effective medical supervision/rehabilitation mechanisms
- Fund research projects with high probability of reducing compensation incidence and costs
- Liaise with Workplace, Safety and Health
- Develop and implement proactive role in injury prevention
- Proceed with asbestos litigation
- Evaluate regionalized services
- Resolve other identified problems

(II) Funding

- Establish funding strategy
- Evaluate Disaster Fund and reinsurance requirements
- Evaluate government agencies funding requirements
- Examine the need for separation of private and public sectors
- Evaluate investment strategy
- Resolve collection problems
- Review Second Injury Fund

(III) Rate Setting

- Finalize 1990 rate setting
- Review classification policy and procedures
- Resolve independent contractors issue
- Implement a merit rebate and surcharges system

(Iv) Benefits

- Priorize and proceed with policy development
- Implement effective mechanisms for addressing suspected fraud
- Develop and implement role of health care advisory services
- Improve understanding of compensation in health care community
- Educate/inform on health care issues relevant to WCB

(v) Rehabilitation

- Develop a mission statement and define vocational rehabilitation
- Develop a caseload/claimant profile for vocational rehabilitation
- Promote visibility of vocational rehabilitation services
- Promote visibility with employers

- Advance training and staff resourcing
- Improve vocational rehabilitation services
- Develop individualized rehabilitation plans
- Establish networks
- Develop - a) prospective resource inventory,
  b) Canada Employment & Immigration Commission linkage,
  c) Manitoba Rehab. Hospital relationship
- Establish a quality assurance program for vocational rehabilitation

(vi) Community Relations

- Establish a consultative process
- Deliver current and credible information to the WCB's major stakeholders
- Publish and distribute the 1988 annual report
- Increase employer understanding of the WCB
- Provide employers and unions with Board spokespersons at request
- Develop a recognizable design and format for publications
- Enhance relations with the government of Manitoba
- Improve communications with the Medical Community
- Increase general awareness of WCB

(vii) Human Resources

- Promote general staff upgrading through training and development
- Develop adequate processes for the efficient internal dissemination of WCB information

(viii) General Management

- Clarify roles and responsibilities
- Develop budget process
- Publish the comprehensive plan
- Conduct a claims costs study
- Upgrade staff skills in information technology
- Establish a research and planning capability within the WCB
- Initiate policy research
- Review and evaluate management information services
- Investigate new computer applications
- Establish an information systems disaster plan
- Reorganize the provision of Administrative Services
- Develop policy manuals
- Review information systems
- Study governance and stewardship
- Improve monthly financial reporting
- Manage other identified projects

INNOVATIVE OPTIONS

The following "Innovative Options" indicate the wide variety of opportunities available to a modern compensation system. These and other options, if ever seriously addressed in the future, would be explored with stakeholder involvement and extensive consultation.

- 24-hour Workers Disability Programme

  Given its focus on work-related injury, the WCB system has never been able to deal satisfactorily with occupational illness or pre-existing conditions. If one were to set up a disability fund in which the risk of illness and accident attributable to employment is funded by employers and the residual risk by other means (for example, public and worker contribution) one would have a financing mechanism to address the problem.

  This could be done through a re-definition of the Second Injury Fund and its contribution mechanisms.

  There are many potential shapes for this scheme including a combination of mandatory and voluntary mechanisms as well as integration with existing group insurance schemes or the existing public medical insurance program.

- Increased Benefit Levels Combined with a Minimum Threshold for Compensation

  In order to provide superior benefits for those more seriously affected by workplace injury or illness, maximum awards could be increased to three times the average wage level. As an offset, the scheme might only cover illness lasting beyond a defined waiting period; disability awards could be made only in cases where permanent disability exceeded a certain triggering level; and/or the scheme could be integrated with CPP disability and UIC illness provisions.

- General Structure

  A general rehabilitation scheme could be developed to provide aid for independent living and permit workers to pursue re-integration into the workplace. It could be governed by a new rehabilitation act, administered by the Board. In this way, many elements of compensation would be under one umbrella with resultant advantages of scale and expertise. Coordination with Workplace Safety and Health would also be strengthened.

- WCB Management of its Own Funds.

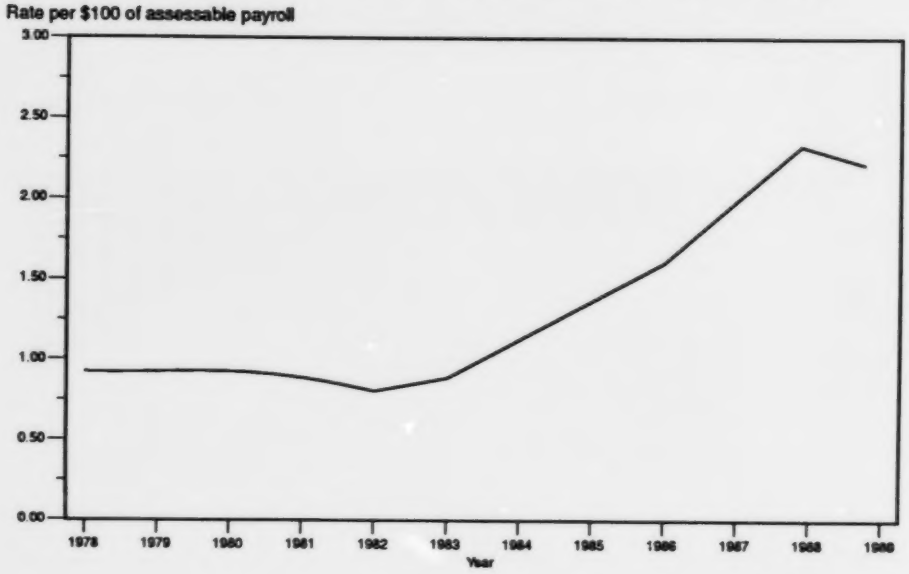
  At present, the WCB's long term investments are handled by the Government of Manitoba's department of Finance. Since the Workers Compensation Board scheme is funded by Manitoba employers, the Board's investment policies could attempt to direct the capital represented by pre-funded pensions back into the Manitoba economy according to priorities of the stakeholders. In addition, investments could be timed to mature in order to meet the WCB's future cash requirements and thus assist in ensuring that future actuarial obligations are satisfied.

CONCLUSIONS

The 1989 Comprehensive Plan has been developed and published by the Workers Compensation Board of Manitoba to give a sense of the many problems confronted by the Board and to indicate areas where Commissioners and Board Administration believe that remedies and resolutions are available.

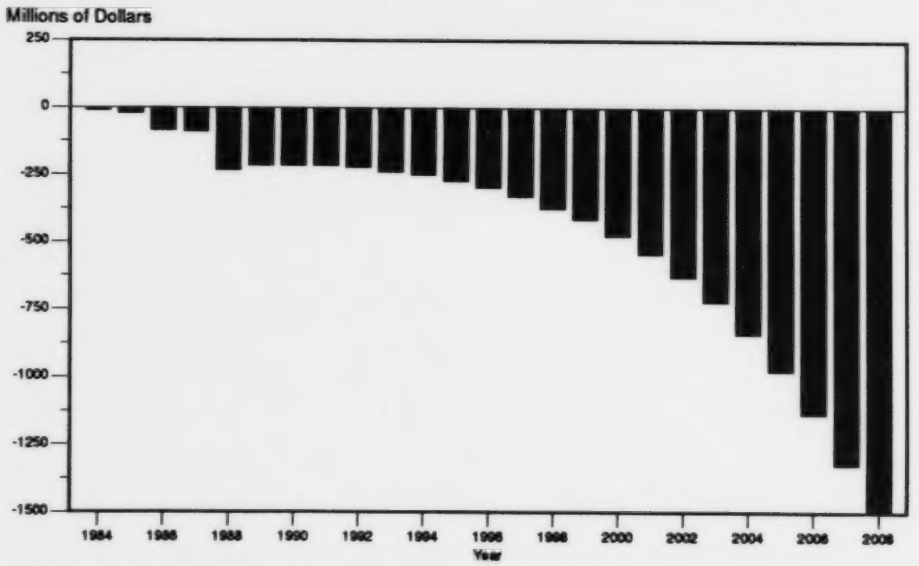
In particular, there are a number of financial options available to the Board to rectify its unfunded liability.

Average Assessment Rate, Manitoba, 1978 to 1989



Graph I-I

PROJECTED WCB NET WORTH, 1984 – 2008
Using Pessimistic Assumptions

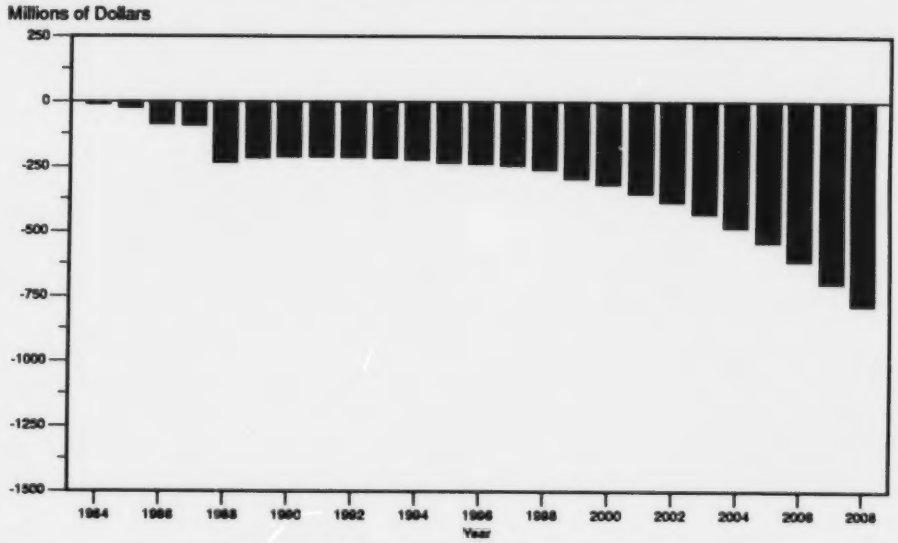


Graph I-II

Scenario 1 — Assumes Assessable Payroll grows 2% slower than Expenses

Graph I-iii

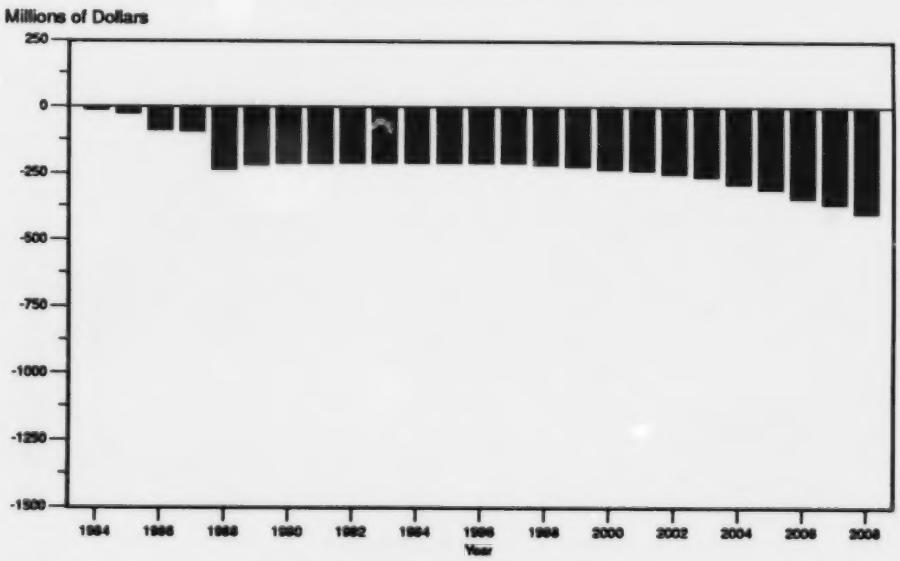
PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Pessimistic Assumptions



Scenario 2 — Assumes Assessable Payroll grows 1% slower than Expenses

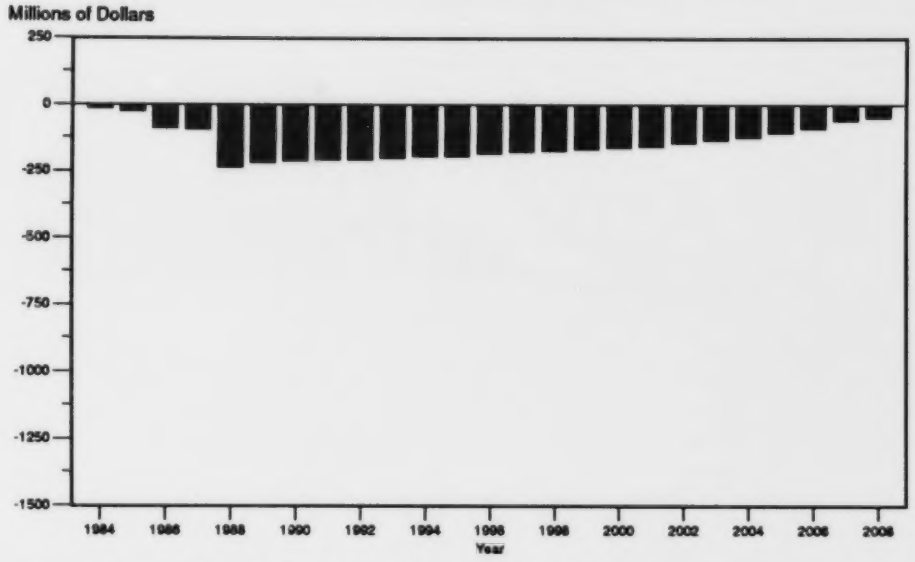
Graph I-iv

PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Optimistic Assumptions



Scenario 3 — Assumes Assessable Payroll grows 0.5% slower than Expenses

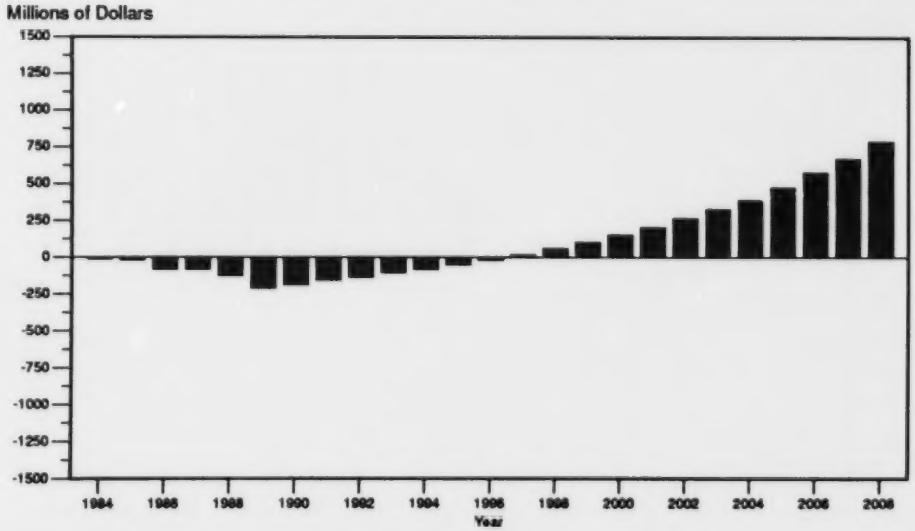
PROJECTED WCB NET WORTH, 1984 – 2008
Using Optimistic Assumptions



Graph I-v

Scenario 4 — Assumes Assessable Payroll grows at the same rate as Expenses

PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Optimistic Assumptions with all Options Implemented except Assessment Rate Increases

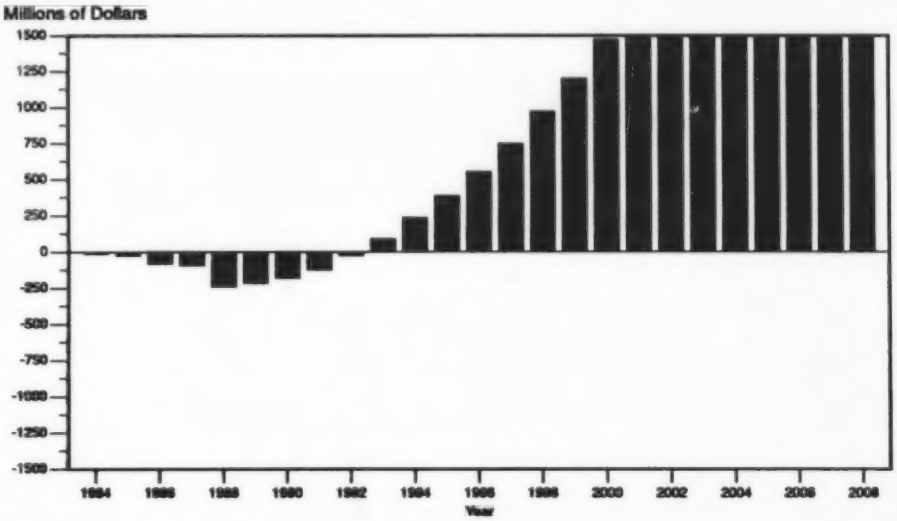


Graph I-vi

Scenario 5 — Assumes Assessable Payroll grows 0.5% slower than Expenses
Real Rate of Return equals 4%

Graph I-vii

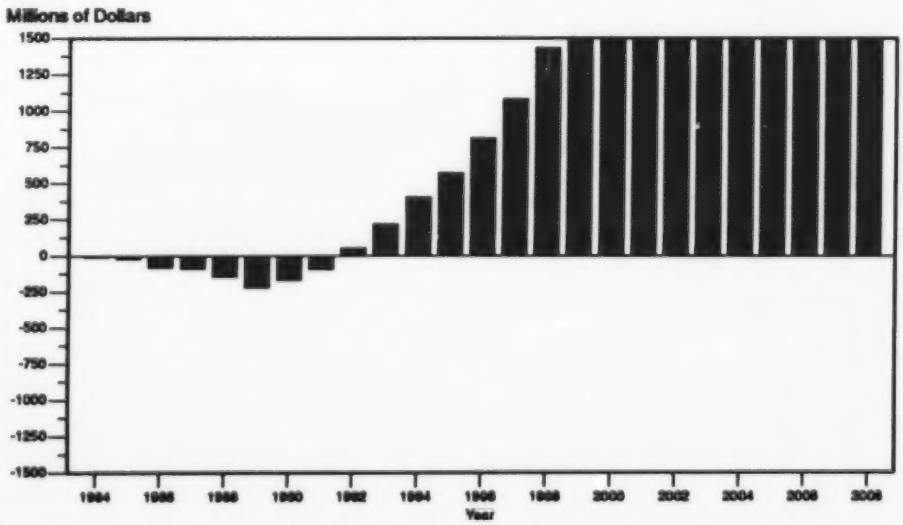
PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Optimistic Assumptions
With Only the Optional Assessment Rate Increases Implemented



Scenario 7 — Assumes Assessable Payroll grows 0.5% slower than Expenses
Real Rate of Return equals 3%
Average Assessment Rate rises to $3.91 by 1992 and remains at that level

Graph I-viii

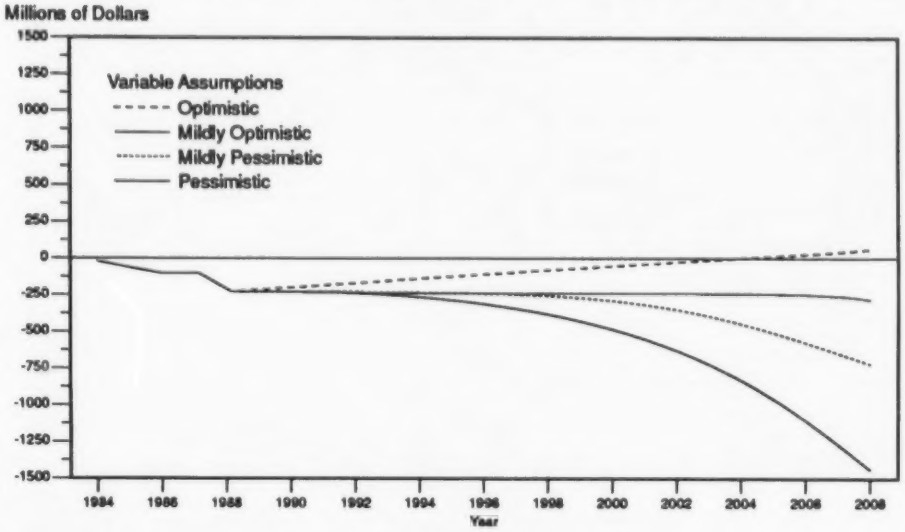
PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Optimistic Assumptions
with All Identified Options Implemented



Scenario 8 — Assumes Assessable Payroll grows 0.5% slower than Expenses
Real Rate of Return equals 4%
Average Assessment Rate rises to $3.91 by 1992 and remains at that level

PROJECTED WCB NET WORTH, 1984 – 2008
with none of the Options Implemented except the Investment Strategy and More Effective Administration of Existing Policies

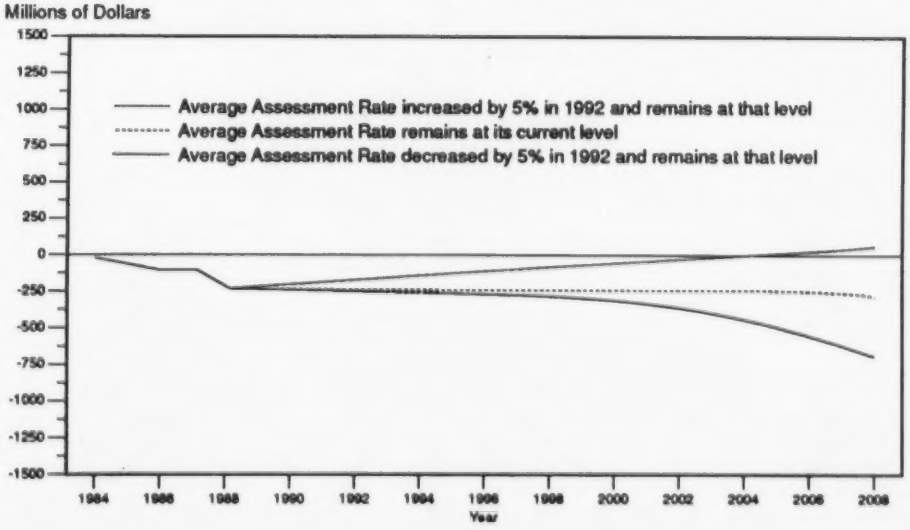
Graph I-ix



Assumption: Average Assessment Rates are fixed at their current level.

PROJECTED WCB NET WORTH, 1984 – 2008
Using Mildly Optimistic Assumptions with variations in Average Assessment Rate

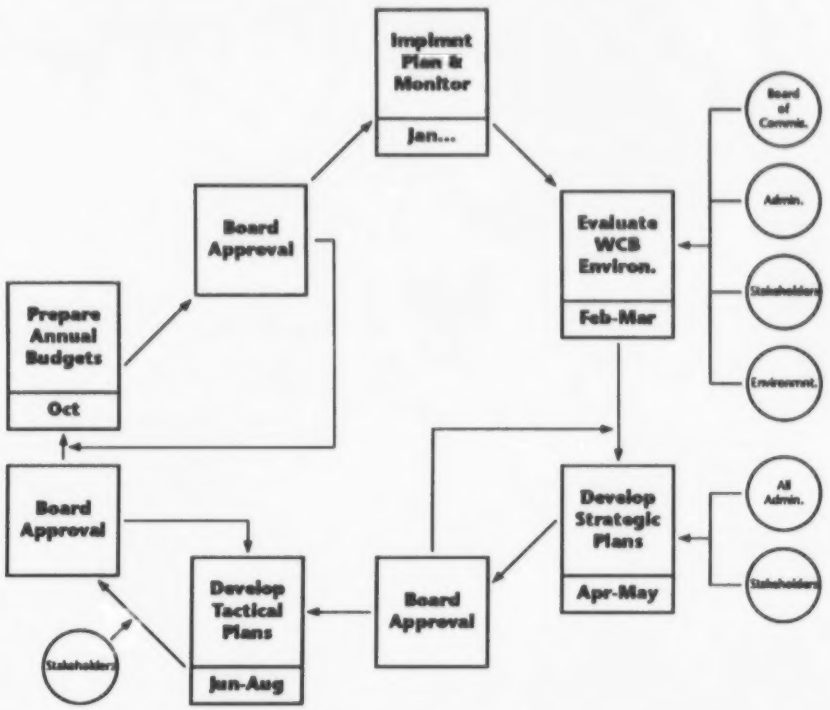
Graph I-x



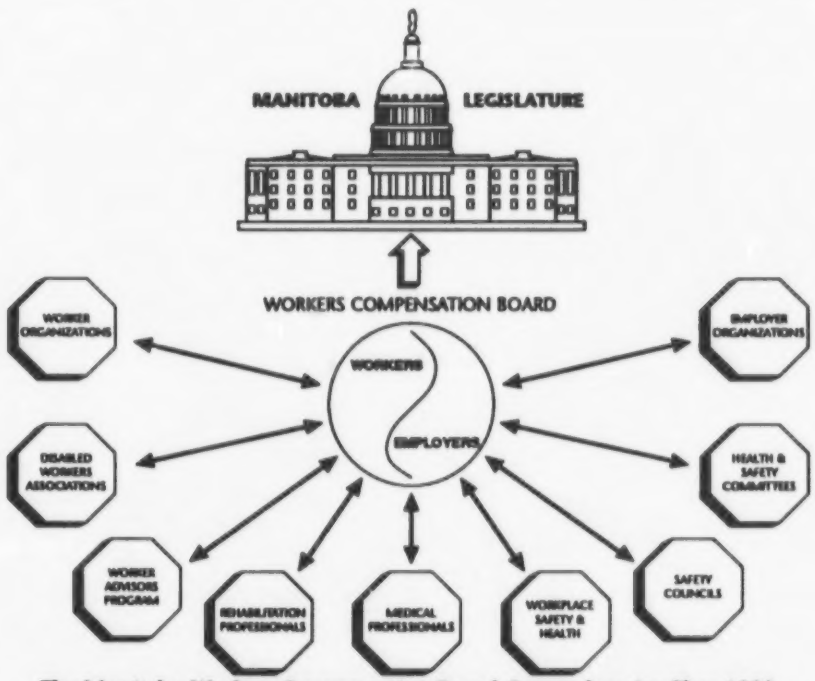
Assumption: Includes the potential savings which would accrue from the general tightening of Administrative policies

Graph I-xi

ANNUAL PLANNING CYCLE



Graph I-xii



The Manitoba Workers Compensation Board Comprehensive Plan 1989